



Publication of *Gold Survey 2007 - Update 1*

Higher CBGA sales coupled with a collapse in net sales elsewhere, resulted in a moderate increase in net official sector sales in the first half of 2007.

Gold Survey 2007, Update 1, GFMS' latest report on the gold market, was released today at the consultancy's Precious and Base Metals Seminar. One of the main findings of the report was the 4% year-on-year rise in net official sector sales, to 226 tonnes over the first half of the year. The moderate increase was the result of the rise by nearly a quarter in sales by signatories to the Central Bank Gold Agreement (CBGA), which was partly offset by the collapse in net sales outside the group.

After a period of exceptionally low offloadings in later 2006 and through to early this year, CBGA signatories stepped up the rate of sales from March onwards. Initially this was driven by Spain, which started a series of sales that has seen the country release a quantity in excess of 130 tonnes to-date and later also by Switzerland, which commenced their new sales programme in June. Regarding CBGA sales in the third Agreement year overall, GFMS expect these will total at around 480 tonnes. Moreover, it was forecast that current sales levels will continue in the last quarter of the year. Coupled with the appearance of modest net purchases outside the group, this generates the forecast for net official sector sales of 277 tonnes in the second half of 2007.

Regarding the effect of higher CBGA sales on the market, Philip Klapwijk, GFMS' executive chairman, noted that "one should distinguish between the direct and indirect impact of rising sales". With regards to the former, although there is little doubt that the additional supply of metal has had put some pressure on the gold price, the absolute quantity's small magnitude would suggest that any such pressure is likely to have been limited. Focusing on the latter, Klapwijk argued that "as in the early part of the year, the market had expected CBGA sales would fall markedly short of quota in the third Agreement year, news of accelerated sales in April and in May hurt investor sentiment, at times being at least a partial driver of liquidations in the market". Looking ahead, as investors seem to have now have priced in central bank sales at current levels, GFMS believe they are unlikely to react negatively to the figures forecast for the second half.

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About *Gold Survey 2007 - Update 1*: In just 40 pages, *Update 1* identifies the most important economic, sociopolitical and market-specific issues facing the gold market. The publication can be ordered from GFMS for £215 or US\$395 / €325 per copy. For orders and to receive further product information please contact Ms L. Perrard on: Tel: +44 (0)20 7478 1777, Fax: +44 (0)20 7478 1779, Email: sales@gfms.co.uk, Web Site: www.gfms.co.uk, Online Shop: <http://shop.gfms.co.uk>

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